3: Roberts S-4 (no date)1951 EDl Rumania EDl

and services than it gave, the difference being gained by the towns.[9] According to these views, trade relations were actually detrimental to the rural areas, which were being drained by the towns and industries.

It is not necessary here to discuss the theoretical question whether there is any absolute disadvantage to the countryside in its commerce with the towns. If during a period of change toward industrialization the countryside's position declines in relation to the town, it is quite possible for a number of other factors—which may be "short term" or even noneconomic—to convert this relative disadvantage into an absolute loss in income. Such factors may include the inelasticity of agricultural supply, the immobility of agricultural labor, and the increase in agricultural population. Finally, governmental and political policies may favor industry at the expense of agriculture. This last point requires further elucidation, as it was quite important in Rumania.

Rumanian industry was created in the shelter of high protective tariffs, which undoubtedly served to increase the costs of agriculture and to benefit industry at its expense. These tariffs have been justified by the "infant industries" argument, and in part they were brought about by the agricultural protectionist policy of the European industrial states. But the combination of protectionism and the development of cartels did give industry a monopolistic position in the internal Rumanian market which worked to the disadvantage of agriculture. In addition to tariff protection, Rumania had a long tradition of direct encouragements to industry—such as exemptions from taxation and special transport rates—which persisted in the interwar period and were expanded in the 1930's.

The protective tariffs, by restricting foreign imports, had the effect of bringing in foreign capital for investment in local industry. But while foreign capital has been of great importance in the development of Rumania's larger industries and in the creation of its transportation system, the effect on the total economy has been somewhat one-sided, partly because the capital was naturally attracted to industries working for export: "Without depreciating the influence of foreign capital in stimulating industrialization, it is to be underlined that the benefits of invested foreign capital do not for the most part serve to create purchasing power in the national market

[113] 9. M. Manoilescu, "Das wirtschaftliche und soziale Dreieck der Agrarstaaten: die Stadt, das Dorf, das Ausland," *Internationale Agrarrundschau*, No. 6 (Berlin, 1940), also cited in Hugo Böker, "Agriculture's Share in the National Income and the Agricultural Situation," *International Review of Agriculture*, 32, No. 1 (January, 1941), 22. For a discussion of M. Manoilescu's views, see below, pp. 193–197.

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and do not contribute to increasing the supply of capital, since they are exported." [10]

A comparison of industrial manufacture, industrial imports, and consumption of manufactured goods between 1927 and 1938 shows that while the percentage of industrial consumption which was provided for by Rumanian industry rose from 63.5 per cent to 78.6 per cent, the total consumption of industrial products dropped from about 98 billion lei in 1927 to 88 billion lei in 1938. That is, the increase in industrial production (from 59 to 69 billion lei) was more than balanced by the fall in industrial imports (from 34 to 19 billion lei).[11]

From this the conclusion might be drawn that Rumanian industrialization, instead of increasing purchasing power, was reducing it. Such indeed was Madgearu's opinion: "It is certain that the position of quasi-monopoly created by the system of protection of the national industry is the principal cause of the state of inferiority into which agriculture in general and peasant agriculture in particular have been driven." [12]

If the desirability of a policy of industrialization is granted, it is clear that since industries do not materialize from thin air and are not created by amiable fairy godmothers energy and resources must be diverted from other fields to the creation of industry, at least during the period of its inception and establishment. But the ultimate effect, presumably, is to raise the whole level of the economy; perhaps the agricultural sector will not advance as rapidly or as far, but in the long run at least the whole community should benefit. If Madgearu's conclusion is correct, such was not the result of Rumanian industrialization; instead, the industrial sector pulled away from the rest of the economy, was not directed to satisfying its needs, and may actually have reduced the over-all power of consumption.

Admittedly, twenty-five years may be too brief a period in which to judge such a development. Moreover, as has been mentioned before, a great many external influences had a powerful effect upon the Rumanian economy. The first years after 1921 were spent in recover-

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10. Madgearu, *op. cit.*, p. 204. In this connection see also Joso Tomasevich's chapter on "Foreign Economic Relations," in *Yugoslavia*, ed. Robert J. Kerner (Berkeley; Los Angeles, 1949), which expresses substantially the same view regarding the role of foreign investment in Yugoslavia.

11. Madgearu, *op. cit.*, p. 257.

12. Madgearu, *op. cit.*, p. 259. Madgearu's conclusions, however, are not altogether disinterested. As an old National Peasant who had attacked the protectionist policy of the Liberal party and had lowered tariffs when he was Minister of Finance, he was always of the opinion that industrial development in Rumania had been artificially forced and was battening on the peasant.

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665 241 Nevertheless it may be said that Liberal policy harmed rather than aided agriculture. The more important question, however, is whether the sacrifices exacted from agriculture were more than balanced by benefits to the whole of the economy. Final judgment of Liberal economic policy must rest on this question, which will be examined presently.

Liberal neglect of Rumanian agriculture was criticized by Constantin Garoflid, Minister of Agriculture in the Averescu cabinet of 1926: "It is not normal that our country should possess a *Crédit Industriel*, while agriculture is deprived of a financial institution when its needs are at their greatest." [49] The limited supplies of capital were directed by the government and the banks into industrial channels where they were promised better returns. Indeed, facilities for agricultural credit were less than before the First World War.[50] The absence of credit, only in part a consequence of policy, drove the peasants to the usurers and into chronic indebtedness. The handling of payments and compensation for land transferred in the agrarian reforms served to drain money from the agricultural sector of the economy. Peasants were urged to make full payment as rapidly as possible, while the funds received were not devoted to the amortization of the long-term bonds owing to the expropriated landowners but became a source of revenue for the state.[51]

● [651] A serious drag on agriculture was the tariff policy pursued by the Liberals. The import tariffs, especially the duties on agricultural implements and textiles, raised the operating costs of the peasant.[52] Even more crippling were the export duties which primarily affected agricultural products, the chief Rumanian export. On some occasions these duties equalled 50 per cent of the value of the product.[53] They were not only a heavy burden on agriculture but completely disorganized the grain trade. Since the smaller peasants were producing primarily for their own consumption, the export duties did not affect them directly, but as the tariffs were aimed at maintaining a low cost of living they affected those particular commodities which the small peasant did supply to the local market.

Against these disadvantages, the Liberal party offered very little

49. *L'Economiste roumain*, 2, No. 5 (May, 1926), 160. During his short term in office Garoflid attempted to establish such an institution but was unable to put it into effect.

50. Mitrany, *The Land and the Peasant in Rumania*, p. 425.

51. *Ibid.*, p. 421.

52. The duty on ploughs was 20–30 per cent ad valorem, that on imported sacks was about 50 per cent.

53. Mitrany, *op. cit.*, p. 426.

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Rumania. The paper concluded by an exhortation addressed to Bessarabians to evict Inculeț from the political arena of Bessarabia where he had operated as though this region had been an African colony, and the appeal concluded with the hortatory incitation "Eject this putrefaction from Bessarabia."

In spite of the severe financial crisis which afflicted this region, the fiscal agents of the government insisted on collecting taxes even when in years of drought the peasantry was destitute and utterly unable to pay. The methods employed were so barbarous that they provoked several interpellations in the Rumanian Chamber. During its sitting of Dec. 10th, 1926, M. V. Madgearu denounced the abusive and inquisitorial methods by which Bessarabian tax-payers had been sold up and his arraignment was confirmed by similar indictments formulated by a member of the (then) government majority.

In October, 1930, a revolt broke out in southern Bessarabia. The peasants of the village of Baimaklia, near the town of Kagul, revolted and burned down the residence of a big landowner because certain grazing lands were given to him by the State instead of being distributed among the peasants. That similar abuses are current may be inferred from an article in the "Aurora" of June 3rd, 1926, which is headed "The pauperization and humiliation of the Bessarabians," and in which it is related how certain State lands were put up for sale at Balți, and though the peasantry of six adjoining villages had combined and offered 400,000 lei more than three big landowners, the lands were allocated to the latter, obviously through favouritism. That State functionaries often act with an arbitrariness and brutality inconceivable in a civilized State may be illustrated by the Soroca affair, which is of quite recent occurrence. In January, 1932, six Jewish youths, inhabitants of Soroca, on the Dniester, after coming to terms with the frontier-guards as to the amount of the bribe they would have to pay to be allowed to escape into Russia, and after they had paid 40,000 lei, were ambuscaded and shot down. In order to instil terror into the local population, their bodies were hurled pell-mell on a sledge which was driven by a soldier

647 are certainly no insuperable obstacles to the removal of what
466 constitutes a drain on the strength and probity of the country,
661 which is being visibly weakened in every sphere of administration.

The following article, which was published in the "Lupta" of Dec. 17th, 1931, is instructive as to the manner in which public functionaries behave in order to supplement the scanty salary they draw from the State and which generally does not suffice to keep them alive.

647 It is obvious that no civilized State would tolerate methods
651 which in Rumania are benevolently winked at. There is no
499 doubt that the evil could easily be remedied if functionaries were decently paid. The increased outlay for the State
661 which this would involve would be largely compensated by a more conscientious performance of duty by the administrative staff. For instance, it is well known that owing to the high duties in force, smuggling on a colossal scale is being carried on with the connivance of officials, with the result that the State is defrauded of millions. M. V. Madgearu, former Minister of Finances, openly admits it in his book "Rumania's New Economic Policy," published in English, on page 39 of which we come across this astounding statement: "It has been shown that while pre-war Rumania imported about 70,000 kilos of natural silk, united Rumania registered the importation of only 1,000 kilos in 1927. It is well understood that the rest has been imported through smuggling." On a rough computation this item alone would account for an annual loss of some 50 million lei to the revenue.

But, apparently, blackmail is even more lucrative than smuggling, according to the article referred to in the "Lupta":—

647 "Truly, *smuggling* constitutes a source of big revenues for
651 the State. Not bona-fide smuggling which involves the introduction of goods into the country without the disburse-
661 ment of duties. This latter sort of smuggling is never discovered, or if discovered is rapidly hushed up with the connivance of the ablest pillars of the Ministry. The principal sources of revenue from smuggling are derived from the hypothetical variety, when for instance an anony-

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mous letter of denunciation reaches the Ministry concerning a commercial or industrial firm. This is immediately followed by a close investigation of the firm's books. Though no trace of contraband may have been found, yet rumours of high fines to be imposed on this firm get into circulation. Its owners make desperate efforts to dissipate them. The firm's bank announces that its overdraft will be suspended until the matter is cleared up. The merchant who cannot wait for a judicial examination of the charge brought against him, nor engage in protracted discussions with the Ministry, finding his credit at the bank has been suspended, endeavours to strike a bargain. He will offer 10%, occasionally even only 1% of the amount of the fine with which he has been threatened. The State pockets 80% of the sum thus offered and the zealous inspector who has "discovered" the reported contraband appropriates the remaining 20%. Why should these sums indeed be rejected? Such tactics, when employed by a clever functionary or inspector, will soon allow him to become the owner of palaces and buildings in the capital. Such is the just reward of labour!"

And in conclusion the "Lupta" advises the Ministry of Finance as to the measures it ought to take to prevent merchants from suffering unduly from the blackmailing activities of its financial inspectors!

That blackmailing and extortion are not unusual practices may be inferred from the following announcement appearing in a Bucarest daily on 15th March, 1929:—"The tribunal of Cluj having received an endless number of complaints and denunciations against Lieut.-Colonel Mihai, of the gendarmery, lately occupying the post of Police-Prefect at Cluj during the Liberal régime, has transmitted them to the judicial procurator. The investigations which are being pursued prove that the charges are well founded and that this Liberal terrorist had extorted moneys through blackmail from high class people while he was police prefect in the capital of Transylvania. Those who suffered most from the exercise of the functions of the accused (sic), were merchants, who, if they failed to deliver to the prefect the sums or goods demanded, were subjected to tortures and heavy fines and were threatened with the closing of their

439 452 tions on a credit basis so hazardous that they have practically ceased, to the great discomfiture of Rumanian merchants, who have seen their activities completely paralysed.

426 452 651 686 As matters stand, a creditor is at the mercy of his debtor, and if the latter refuses to honour his engagements there is nothing to be done but to accept whatever compromise may be offered, for a recourse to tribunals would be tantamount to a total loss not only of the amount involved, but of the supplementary expenses arising from legal disbursements and inordinately high judicial taxes which unlucky creditors will have to defray.

[439] What is singular is a tax imposed by the State on all bankruptcies to the amount of 20 per cent of the total assets declared, so that this explains, though it can hardly justify, the State's manifest indifference to the undermining of the country's commercial reputation through fraudulent bankruptcies, the frequency of which is positively alarming, for it derives corresponding advantages from this impost on bankruptcies. Instead of attempting to circumscribe this evil it would appear that the State has done much to encourage it, especially where foreigners are involved. Apparently it is actuated by the shortsighted view that the loss of the foreigner is to the benefit of the country in general, since through bankruptcies foreign capital is transferred to its own nationals. At any rate, bankruptcies have been regarded as a means of raising revenue, and the State as a privileged party has always secured its 20 per cent impost plus other legal taxes, and the debtor has usually managed to alienate a good part of his assets so as to safeguard himself in a very satisfactory manner, while the wretched creditor not only gets nothing but usually finds he is being called upon to make further disbursements on account of legal formalities involved. The *Argus* of June 15th and 16th, 1931, commenting on the law of the "Concordat préventif," qualified it as disastrous, and added: "Among the principal obstacles which prevent the development and normalization of our commerce this law stands in the front rank. . . . it has given free rein to the unscrupulous debtor, permitting him to carry out his underhand manœuvres without any risks, to sell the goods he bought with-

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out paying for them, spoliating thereby his creditor and underselling and ruining the honest trader."

The paper advocated a revision of the law and demanded that debtors should be obliged to make a composition on the basis of the ratio existing between the assets and the liabilities, or with a variation of only 10 or 20 per cent of this proportion. As matters now stand a dishonourable merchant is entitled to file a demand for a "Concordat préventif" though his assets may far exceed his liabilities. He is then allowed to pay 40 or 60 per cent of his debts, and after they have been thereby considerably reduced is even accorded a delay of several years to pay them off. With such facilities at hand the majority of merchants did not scruple to avail themselves of the opportunity of repudiating their engagements and so getting rich quickly. The consequence is that commerce has been completely dislocated through the complete suppression of credit which naturally followed. The Under-Secretary of Justice in the Iorga-Argentoianu Government, M. N. Lenguceanu, overtly admitted in the *Neamul Romanesc*, September 5th, 1930, that the above-mentioned law "had permitted merchants, 98 per cent of whom were foreigners, overtly to despoil their creditors." Another very serious defect from which Rumanian legislation suffers is the tendency to enact laws with retroactive effect, which permits the invalidation of contracts, thus creating a state of instability that affects most adversely all commercial and financial operations. For how can foreign investors risk their capital in a country where uncertainty and instability have become its distinguishing features?

Senator Marino, on February 26th, 1932, deplored the disrespect shown for contracts, criticized the State for various measures passed undermining confidence, among which was the moratorium of 1919–1920 by which foreigners had lost some 7 milliard lei, and demanded the granting of serious guarantees which would instil confidence once more. Similar pronouncements by public men abound, for the serious consequence of the present policy are obvious to all.

Professor Flinders Petrie once stated (*Contemporary Re-*

gradually imbued people with the conviction that engagements and promises need not be considered seriously, and that on the contrary, elusion of obligations is a mundane affair and a fashionable art which should be cultivated assiduously. As a result, not only debtors always find means to avoid paying, but taxpayers also use every possible stratagem to avoid payment of taxes. There are huge arrears of taxes that remain uncollected, every imaginable trick being resorted to by taxpayers in order to escape from their monetary obligations to the State. The present tremendous falling off in the revenue should mainly be ascribed to this reason, as well as to the venality of the tax-collectors, whose leniency is secured by a slight gratification whenever they tend to become over sedulous in the execution of their duties. M. N. Petrascu, a fashionable speaker, while delivering an address at the Rumanian Social Institute in Bucarest on May 18th, 1932, asserted, "we should explain the non-realization of the budgetary revenue forecasts by the fact that our civic consciousness is not sufficiently developed to allow us to understand that by paying our taxes we fulfil an elementary duty; this is also the reason why fiscal frauds have attained extraordinary and unimaginable proportions. . . ."

The utter disregard of contracts and formal engagements can hardly be better illustrated than by the attitude of the State Railways administration in rescinding contracts with metallurgical establishments at Arad, Braila, and Reşiţa, contracts on the basis of which these very workshops were built. Another flagrant case of repudiation of solemn promises by an official organization is that of the municipality of Cluj which, after confirming a contract with the society "Electrobel" for a duration of fifty years, and after the Brussels firm had carried out 80 per cent of the work it had undertaken to perform, was requested by the municipality, hardly one year after signature of contract, to alter its provisions which had received the royal assent and had been unanimously approved and passed by the municipal council. The municipality brazenly demanded a reduction in the time period of the concession originally granted, namely from 50 years to 15, an increase in the royalty payable to the municipality from 3 per cent to 6 per cent, and

cent. It can easily be understood that no enterprises could possibly bear the burden of such interests, and that if foreign capital was to be excluded it would be necessary to have recourse to artificial encouragements in order to create and foster the industries it was contemplated to set up. Protection in its extremest form, therefore, was resorted to, and a tariff wall, the highest in Europe, was erected to protect the budding of these hot-house industries. In order to start a new industry the theoretical case for Protection is admittedly strong. Temporarily the new industry needs help, and eventually the country as a whole may gain from its creation, though in the meantime it has to bear the burden. The immediate effect is to increase the costs of the various articles produced locally to an extent that places them beyond the reach of a poor community such as the rural population of Rumania. The repercussion of an increase in the costs of articles required by the agrarian population naturally causes a rise in the costs of production of agricultural produce, which renders less easy its marketing in neutral markets in which the Rumanian peasant can neither enjoy nor demand the favour of a protective duty. So that eventually protection has proved an arm which has turned against him. In the case of Rumania, most of the industries which have been created proved to be clearly detrimental to the State. Certainly the textile industries, which import the totality of their raw material in the form of yarn from abroad, confer no benefit except to their proprietors. The raw material is usually allowed free admission, or pays a very light duty, while the finished article is sold at a price corresponding to that of a similar foreign product on which a duty amounting to as much as 300 per cent is occasionally imposed. Almost the whole of the difference is pocketed by the manufacturer, and the native purchaser gets no benefit whatever. On the contrary, he usually gets an inferior home-made article at almost the same price as he would pay for a foreign one generally of better quality. In this arrangement the State is deprived of a very important source of revenue since it desists from collecting the tariff dues it would otherwise have received if, instead of raw materials imported free, foreign dutiable manufactured articles had been imported.

As a result the revenue from Customs, which formed one of the basic sources of revenue for the State, has gradually ceased to function as such. Revenue from this head gradually declined from 9,243 million lei in 1927 to 2,516 million lei in 1931, though this decrease is also attributable to other causes, such as the lowering or elimination of export taxes.

Probably one of the most acrimonious criticisms that ever appeared in the Press concerning the excessive Protectionism obtaining in Rumania was published in the *Cuvantul* for March 3rd, 1931, and the following quotation from it is worth retaining as it casts a lurid light on the inner machinery of government:

"A Rumanian State, in the true and proper meaning of the word, is non-existent. For the essential functions of this State have been usurped by certain gangs whose main preoccupation is to furnish their members with money wrested from the taxpayer. The national revenue is annually amputated of an exorbitant portion in the form of taxes, with which the State does no good. The State administration functions from bad to worse while hordes of politicians wax fat on the public treasury. The State administration has been annexed by the party bosses and the public budget has been confiscated for the benefit of the clients of these parties. And when the resources of the State revenues have no longer sufficed for these highwaymen, other means have been devised in order to rob the citizens and provide for the upkeep of these harpies. A scandalous legislation, characterized by a Protectionism without parallel in Europe, and aiming at the protection of a parasitic industry, was voted for the benefit of profiteers, who are intimately interested in all the pecuniary calculations of the politicians. Under the aegis of this Protectionism the most rapacious trusts flourish to-day in Rumania and exploit the consumer. Instead of aiding agriculture, the latter has been dislocated and ruined by the extreme favours lavished on this artificial industry, and all this for the sole purpose of satisfying the exorbitant pretensions of the industrial bandits, who have known how to turn governments and parliaments into docile instruments for fleecing the consumer. . . ."

That the extreme Protectionism adopted by Rumania is

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not approved by the public may also be seen from the following excerpts culled from an article published by the same paper on May 15th, 1932: "There is a profound difference between industries which utilize local raw materials and such pseudo-industries which import from abroad semi-manufactured materials and finish them off in this country. . . . The importation of semi-manufactured goods is in the great majority of cases carried on solely to evade the Customs tariffs, and if we do not see things as they are, this is on account of private interests, for the sake of which we allow a prejudicial system to continue to function. . . ."

The *Argus*, too, several times attempted to call public attention to the nefarious results of the policy of bolstering up artificial industries, and especially in the case of the textile industry, on which it wrote as follows: "Why are clothing materials so costly? Because our protected textile industry sells its products at the same price as the goods imported from abroad. The encouragement given to the textile industry has resulted in increasing the cost of wearing apparel because industrialists are not content with a reasonable profit, and as a result a woollen suit to-day is a luxury. When our Custom tariff is to be revised the interests of industrialists alone should not be considered, but also those of the consumers."

As one may infer from the above, this policy of industrialization was a wild scheme which materialized on a large scale, chiefly because various politicians had been directly interested in the manufacturing concerns which had been started.

The case of the paper industry may be cited as an example. All the paper mills belonged to or were controlled by friends or relatives of the Bratianus. In order to secure big profits an import duty of 50 per cent was placed on paper, creating thereby a virtual monopoly of the paper trade on behalf of the owners of the mills. As they could dictate their will to the Chamber, the high duty was maintained in spite of the protest of the Opposition. For not only the public at large suffered by the high price of such an essential commodity as paper, but political interests were equally affected. Opposition parties had to pay high prices

could be dismissed without the working of the administrative machine being impaired in any way, and several instances are given of the plethora of officials. M. Bratanescu, deputy for Tighina, for example, pointed out in the Chamber that in his town, with a population of 31,698, there were 130 teachers, but as there were not enough children for each to have a full class, whenever an inspector came down, each teacher used to borrow children from the other classes in order to complete the number of his own so that he might escape being reprimanded by the inspector.

Another head on which various economies could be effected is pensions, which absorb about one-fifth of the total revenue, and many of which are served out to people who have not the slightest justification for drawing them. The tendency to spend overmuch for the upkeep of the social services is a characteristic trait of Rumania and was noticed and commented on many years ago by one of her distinguished social writers, M. C. Dobrogeanu-Gherea, in his work "Neoiobâgia." Referring to the period 1910–1911, he pointed out that the State budget and those of the communes absorbed over one-third of the national revenue, and what remained for the subsistence of the population amounted to 123 gold lei per head, or almost 4,000 lei, a figure closely approximating to the 3,955 lei which, according to the calculations given above, represented the net income per head for 1930. The above-cited writer condemned very caustically the profligate methods of the administration as likely to bring the State to ruin:

"By withdrawing annually from production these big sums and lavishing them on a parasitic bureaucracy, the State sets the example of a mad waste . . . by letting the bureaucracy spend extravagantly what the other classes create by hard toil, people form the illusion that this country is very prosperous and that it is easy to live in it comfortably. . . . This hypertrophy of the State organism is one of the most pernicious sicknesses which attack modern societies." (p. 455.)

It is indeed a great pity that no political party ever endeavoured to tackle the problem of thoroughly overhauling the administrative machine of the country, but that instead

a policy of drift has so far been practised. The alarming falling-off in the revenue receipts is nevertheless a disquieting sign which ought to impress sufficiently the Rumanian authorities, and rouse them from their apathy, if they are to avoid the disaster they are heading for. For the drying up of the revenue is not entirely due to fraud, but also to the gradual pauperization of the masses. The *Cuvantul* of December 29th, 1928 wrote as follows:

"There is no country where fiscal fraud is so intensely practised as in Rumania . . . though fraud is due partly to the unjust distribution of the fiscal charges. A sound fiscal policy should take into consideration that the ratepayer is poor. We should not be far wrong if we affirmed that at least 80 per cent of the population are in debt. If these 80 per cent of the population toil in order to pay off their debts, or only the interest on their debts, how can the State expect to raise from them what it needs for the public services? . . ."

Rumania's main source of income is her export trade. All other items are of secondary importance and can hardly offset the important payments she is obliged to make on behalf of her indebtedness abroad. During the years 1930 to 1931 there was an excess of exports over imports which enabled her to meet her payments abroad, all the more so since foreign capital invested in Rumania is no longer productive and therefore next to no interest on it is being actually remitted. On the contrary, it may be said that, owing to the crisis, foreign enterprises in Rumania require financial aid which is being supplied from abroad, a process which helps to offset the total of foreign payments Rumania has to make. An automatic equilibrium has therefore been attained which allows Rumania to face her payments abroad without drawing on her gold reserves or necessitating her to have recourse to foreign borrowing, and this situation will be maintained so long as she continues to have plentiful harvests as those of 1930 and 1931 and her population remains in its present state of poverty, which prevents it from purchasing foreign articles, a state of things which explains the present excessively low figure of imports. Of course these recent years cannot be taken as representative of normal times, and for this purpose a table showing the balance of payments during

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It was the policy of imposing export taxes on all agricultural produce, which despoiled the peasantry of all the legitimate profit they should have made on the marketing of their grain, and which not only tended to discourage them from increasing the area under cultivation but prevented them from consolidating their position as independent farmers. Indeed, had not the Rumanian peasant been unduly burdened with taxes during the years following the conclusion of the war, when cereals fetched highly remunerative prices, he would undoubtedly have been able to make sufficient money to equip himself with the necessary instruments and cattle for his farm, avoided running into debt, and he would even have been able to constitute a small reserve on which to draw in the lean years. But these possibilities were frustrated by the culpable negligence of his rulers. And yet there were plenty of men who clearly foresaw and foretold the disastrous outcome for agriculture of such negligence, and protested against this system as well as against the undue partiality accorded by Government circles to industry in general. Certain organs of the Press continued for years to warn the public, and to deprecate the disastrous policy that was being followed. But it was in vain, the Bratianus would accept no counsel from anyone. The *Argus* on October 21st, 1926, commenting on this theme, drew the following conclusions:

"From the above-cited appreciations one may infer that on one hand the prices obtained by the producers are below those they secured before the war, while on the other hand the prices of the articles they need for their upkeep are at about 70 per cent above the pre-war level. In spite of these facts all these taxes which burden production are being maintained, and agriculture is placed not only in an impossible situation for developing itself but in a state of inferiority when compared with that of other countries which export cereals."

In another article published by the same paper on October 10th, 1926, we find a similar pessimistic strain: "From the above figures it becomes obvious that agriculturalists instead of making a profit have lost money, both this year and in previous years of drought. Such a result has completely discouraged them, especially the younger among them..."

000 previous years of drought. Such a result has completely discouraged them, especially the younger among them. . . ."

489 241 And it was not only the export taxes which impeded the development of agriculture, but also the deplorable state of the whole transport system. The shortage and deficiencies of the latter would have been very easily remedied with foreign aid, but the Bratianus were deaf to all such suggestions, though the imperative necessity of eliminating these defects was daily insisted on in the Press. Here is yet another excerpt from the *Argus* of October 8th, 1926, and it will be found both apposite and illuminating on this subject:

"So long as the Railway Administration does not dispose of adequate funds to obtain the necessary rolling stock, nothing can be done. Without locomotives, without trucks, without warehouses, a transport system is helpless in a country like ours, which cannot develop without exports. In order to stimulate and encourage the production of our soil, the subject of the re-establishment of our means of communication by land and water ought to be constantly in the minds of our governing circles. We have paid no heed to this truth during the eight years following the war, and as a result, if we except Russia, our country is the hindermost in Eastern Europe as far as transport is concerned. For this reason, in almost all railway stations quantities of grain remain for months waiting for trucks, to the immense prejudice of the producers and the merchants. The capital which is thus immobilized for so long a time, when interest rates are soaring fantastically, the warehouse dues, the loss in quantity and quality of the cereals through exposure and theft, are some of the factors which are contributing to the ruin of our agriculture and of our commerce in cereals. . . ."

● 651 241 To these complaints and remonstrances, however, the Government turned a deaf ear, and it even went farther and threatened to impose still heavier burdens on this harassed industry by an increase in the land tax. The injustice of this contemplated measure was exposed at length by Dr Ernest Ene in the *Argus*, who marshalled figures and facts to prove that, in comparison with other industries, agriculture had so far been treated as a Cinderella, although it had furnished

to the State a very notable portion of its revenues. According to the figures cited, the total value of the products of industry during 1924 was about 20,000,000,000 lei, while the taxes derived from industry amounted to 488,858,000 lei only. But even this yield was only apparent, for the preferential rates granted for the transport of local industrial products and other subsidies more than absorbed this sum. Agriculture, on the other hand, with an output amounting to 60,000 million lei, contributed revenue to the extent of 7,000 million lei to the State, of which more than 761 millions was in the form of the land tax. Another writer in the *Argus* of November 26th, 1926, is equally indignant at this threatened increase in the land tax, and finds that the 8,000 million lei which the peasantry contributed indirectly to the State revenue, mainly through the export taxes, is already a disproportionate burden. In fact by 1929 agriculture, including cattle rearing, was reckoned to contribute 122 milliard lei to the national revenue, which was calculated to amount to a total of 175 milliards. The remissness the Government displayed towards the agricultural population was bound to have yet further regrettable results, namely, the decrease in the quantity and quality of the yield of cereals. Devoid of means, the small farmers (whose average holdings amounted to less than 5 hectares and represented 60 per cent of the cultivated area and 90 per cent of the rural population) were unable to buy decent seed grain, so that the quality of the cereals grown deteriorated and the yield per hectare steadily decreased. This fact was persistently pointed out by intelligent agriculturalists in the Press. Commenting on the increasing deterioration of the maize crop, a writer in the *Argus* of November 10th, 1926, stated: "The average yield of maize per hectare for the last five years has sunk to 10 hectoliters, while in the United States it is 22.7 and individual farmers who apply more rational methods obtain more than 40 hectoliters. . . . It should be noted that both the climate and the soil of the U.S. are far inferior to ours. . . ." Yet another agricultural engineer, in a series of articles published in the *Argus* in November, 1926, asserted that if good seed corn were distributed to the peasantry there would be an immense increase in the yield

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the price of the quantity of maize grown on it would fetch only 40 lei; nevertheless the peasant owner persisted in cultivating his patch of land because he felt ashamed to allow it to lie fallow, having always been accustomed to cultivate it, and buy the maize he needed instead, for which, however, he would probably have to pay a somewhat higher price than the 40 lei at which he could have sold his own (p. 111). So that, far from exerting an adverse influence on production, the breaking up of the large estates has, on the contrary, proved to be the salvation of the industry, for were it not for the abnegation and attachment of the individual smallholder to his farm, agriculture would have been completely ruined by the policy imposed by the Bratianus. Indeed, one cannot but admire this profound devotion of the peasant to the land and his dogged persistence in carrying on, despite the odds which confronted him and the utter lack of encouragement he met with from the State. We may take it for granted that the small farm of five hectares was more productive than the large estates, even from official statistics. This peculiarity was commented on in the *Cuvantul* of July 23rd, 1927, which at the same time decried the maladministration of the then Finance Minister, M. Vintila Bratianu, and his threat to increase the land tax. That paper contested the official statement that the land tax in Rumania amounted to one gold franc per hectare, as this affirmation would cast a slur on the country. In fact it was estimated that in 1924 the export taxes on cereals had yielded the equivalent of a tax of 8 gold francs per hectare.

The determined perseverance of the peasantry could not undo the harm caused by the erroneous agrarian policy pursued, and the situation could not but grow worse with time.

So that when finally the National Peasant Party assumed power at the end of 1928, the situation had become so hopeless that the Rumanian Government even contemplated organizing a mass emigration to France and her colonies in order to relieve the strain. Early in 1929 the Press, commenting on this unexpected decision of the Government to encourage emigration, admitted that the cause of the disastrous condition agriculture had reached in Rumania could

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241 The following table indicates the proportions of lands de-
311 voted to the various cultures and the distribution among the different provinces, according to official statistics for the year 1930:

Arable land in:	Area in hectares.	Percentage of total.
Old Kingdom	6,515,995	22.09
Bessarabia	2,915,941	9.88
Bucovina	311,616	1.06
Transylvania	3,113,500	10.55
Total of arable lands ...	12,857,112	43.58
Meadows and pastures ...	4,054,475	13.75
Orchards and Vineyards ...	613,614	2.08
Forests	7,134,200	24.18
Unproductive lands, roads, sites of buildings, rivers, mines, etc.	4,837,399	16.41
Total Area	29,496,700	100.00

From the above it will be seen that there is little scope for bringing more land under cultivation, and that an expansion in the output must be sought by improving the method of cultivation. Of course there is a vast expanse of marshes along the Danube which may be reclaimed—the total area of these is computed at two million hectares—and if they were turned to account they would considerably augment the arable area. It may be added that similar works of reclamation have been undertaken in Bulgaria and Greece and have been reported to be remunerative.

241 Besides cereals, industrial plants such as hemp, colza,
249 sun-flower, tobacco, sugar-beet are grown, some 399,506 hectares being sown with them. The sugar-beet industry is sufficiently developed to provide for the total requirements of the country and to allow even for an export surplus. There are 14 sugar refineries, with invested capital of 3,300 million lei and occupying some 15,000 workmen. It was reported in the *Argus* of February 20th, 1932, which took up the defence of the industry and emphasized the necessity of granting it adequate protection (since it prevented some 700 million lei from being annually remitted abroad), that the State
• 651 obtained a revenue of 13.70 lei per kg., or 42 per cent of the official price at which sugar was sold; that agriculturalists obtained 20 per cent, merchants 5 per cent, manufacturing and packing accounted for the remaining 33 per cent. But when expenses were deducted the net profit available to the

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Production in millions of barrels

	1931	1930	1929
U.S.A.	856	898	1007
Russia	158	135	99
Venezuela	118	137	137
Rumania	48	42	35
Persia	47	45	42

315 382 651 According to a report published by the *Adeverul* of January 21st, 1932, of which a summary is given below, there are no signs of an early improvement:

"The recent abrogation of the law extending certain subsidies to small producers has created much dissatisfaction, for this enactment, while rescinding the advantages already granted, maintained taxes recently imposed. Only a few of the producers who possessed refineries of their own had so far been able to secure the subsidies that the law had allocated to them, and that only indirectly, as they have been simply credited with these sums, which they will eventually be allowed to use against payment of taxes to the State. As the situation of the public finances is unsatisfactory, one can scarcely hope that these subsidies will be paid out shortly to the rest of the producers.

315 382 Another question which preoccupies the industry is the marketing of the heavy oil residues, the output of which in 1930 amounted to 1,959,371 metric tons. Though this residue constitutes an excellent fuel, its manipulation is difficult and necessitates a large expenditure for the construction of special receptacles. Some companies, in order to get rid of their accumulated big stocks, had recourse to a new method, that of destroying them by fire. This is a disastrous solution for all concerned, and many members of the industrial community affirm that the problem could be solved if our railway administration would reduce its transport charges, so as to permit the marketing of this product abroad at the prevailing world prices. As the railway administration, however, refuses to make concessions in the matter, the oil companies see no other solution than to construct a new special pipe-line to Constantsa, though this scheme meets with violent opposition from railway circles. . . ."

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661 preferential legislation, the right to exploit natural resources under State control, could all be and were secured by Rumanian and foreign trusts for comparatively small sums. The mismanagement and appropriation of public money by government officials, including the court, had ruinous consequences for the population which knew about these things, but was unable to do anything about it. [651] Indirect taxation, heavier and more ingenious than anywhere else in Europe, provided an inexhaustible source of income for those in power. The 'aviation-stamp', for example, which had to be affixed on every bill, theatre- and cinema-ticket, etc., was supposed to secure a strong Rumanian Air Force. In fact Rumania possessed hardly any aircraft at all as the funds were misappropriated throughout.

648 THE ROYAL DICTATORSHIP. The instability of Ru-
661 mania's economic and political life and her geographical position made the country extremely sensitive to any changes in Central Europe. Therefore the rise to power of the National Socialists in Germany, the risings of February and June 1934 in Austria and world reactions to these events had [668] immediate repercussions in Rumania. The Liberal Prime Minister Duca was assassinated in December 1933 by members of the Iron Guard. Tatarescu took over and decreed a state of siege, which has not been lifted since, ostensibly to repress and destroy the Iron Guard. In fact exactly the opposite course was adopted. The democratic forces which began to rally in order to fight Rumanian Fascism were persecuted by the government whilst the terrorists were allowed to continue their activities.

CHAPTER I

228 in private waters. Supplemented by some 4,000 tons of imported fish, this provided nearly 1 kg. (2·2 lb.) per head of population, but, in fact, almost all the fish was consumed by the 5 million persons living in towns. The principal fish caught were sturgeon, carp, pike, eels and crayfish, the main fishing centres being Brăila, Tulcea and Ismail.

6. Food Industries

256 The chief food and agricultural-processing industries are milling, sugar manufacture, oilseed crushing and tobacco curing. While the milling industry was dispersed widely about the country in more than 15,000 small mills employing altogether over 37,000 persons (at 1930 census), the sugar industry was for the most part concentrated in the plain of the Old Kingdom. Of the 17 sugar 257 factories employing 10,000 workers, only one was in the Transylvanian districts lost to Hungary and five in the areas temporarily lost to the U.S.S.R. 258 The vegetable-oil industry, located chiefly in Bessarabia, was only partly carried on in factories, of which there were (on January 1st, 1939) 127, employing 2,026 workers. Among these, 34 were fitted both to extract crude oil and to refine it, six were exclusively refineries, while the remainder produced only crude oil. The rest of the industry consisted of some 2,000 hand, or animal-driven presses mostly owned by individual peasants or by shopkeepers. These primitive presses extracted only a low percentage of oil from the seeds, and consequently the cake—mainly sold for export—277 had an unusually high oil content. As regards tobacco, both curing and cigarette manufacture [656] were subject to government licence and control. There were 29 factories (in 1930) employing 9,720 workers, but tobacco cultivation subsequently declined, so also doubtless did the numbers employed.

7. Agricultural Organisation

452 The history of the organisation of Rumanian 241 farmers is one of not too successful co-operatives 474 becoming transformed more and more into agencies for the execution of Government Control Schemes. [654] For many years there had been throughout the country a network of agricultural credit societies, co-operative in form but in practice directed by the State. These played an important rôle during the period of the Land Reform in helping the peasants by advances to buy and equip their newly acquired holdings. There was even some co-operative cultivation for a time, until the new peasant-owners could muster sufficient draught animals and implements. Besides this, there have been strong local co-operative unions especially among the [162] minority nationalities—the Hungarians in Transylvania, the Swabian and Saxons in the Banat and the Russian and Polish Jews in the Bucovina.

243 The credit societies revived in importance when, 474 after 1933, the Rumanian Government began the 452 organisation of grain marketing. They became 654 the local agents of a Central Marketing Board through which all sales of grain had to be made both for home consumption and for export. Whereas formerly grain prices slumped immediately after the harvest, most peasants, being obliged to sell their grain quickly, under the new scheme prices were stabilised throughout the year, and this brought a great improvement to peasants' [651] receipts. But the scheme and the societies were also used to collect the peasants' taxes (paid in grain) which did not increase the popularity of co-operation.

505 648 [451] It is a cardinal principle of the Statute that the customs dues levied on goods must not be higher than the dues levied at frontier stations of the country concerned. The cost of improvements was to be met by navigation dues, these being assessed on the tonnage of ships, and not based on the goods transported.

Bratislava was fixed as the Headquarters for the Commission for the first five years, and it was laid down that thereafter, for five-year periods, other Danube towns were to be selected in rotation.

Since the outbreak of this war, Germany has virtually controlled the Danube, has abolished the C.I.D., and set up the "Consulting Committee for Danube Affairs above Brăila."

C.E.D. (European Danube Commission)

[503] This Commission was constituted under the Treaty of Paris in 1856 with Austria, France, Great Britain, Prussia, Russia, Sardinia and Turkey as members, for the express purpose of dredging the mouths of the Danube below Isaccea, and leaving the various channels free from all obstructions to navigation. It was apparently expected that this preliminary task would take two years, and the life of the Commission was originally fixed for that period; but, by a series of later treaties, it was kept in being up to the outbreak of the Great War.

In 1918 the Central Powers set up their own Danube Commission, membership naturally being restricted to those Powers and their allies.

By the Treaty of Versailles the European Commission was reconstituted with Great Britain, France, Italy and Rumania as provisional members; and by the Convention of July 21st, 1921, was placed on a more permanent basis. The provisional membership of the four countries was confirmed and all the powers of the original Commission restored. A proviso added that any nation whose commercial interests in that part of the river warranted their being represented on the Commission could be admitted. In fact, no country was admitted under this proviso until the inclusion of Germany in August, 1938.

In August, 1938, an arrangement was signed at Sinaia relative to the exercise of the Powers of the C.E.D. In effect the Powers of the Commission were transferred to the Rumanian Government who were to set up a "Maritime Danube Board." This board, under Article 5, was "to be responsible for the preparation and execution of plans for works on the maritime Danube and at the mouths for levying dues and dispensing of the yield thereof."

In September, 1940, Germany summoned a conference at Vienna for the purpose of regulating Danube shipping anew, and eliminating Great Britain and France from membership of the Commission.

[113] [For further information see *La Commission Européenne du Danube et son Œuvre de 1856 à 1931* (Paris 1931); Treaty of Versailles, Articles 331-339, 346-353; Treaty Series No. 38 (1939) Cmd. 6068, and Treaty Series 38 (1939), Cmd. 6069.]

E. TELECOMMUNICATIONS

I. Pre-War Situation

1. Telegraph and Telephones

206 The telegraph system of Rumania was controlled by the Ministry of Communications, the telephone by the Societatea Română de Telefoane, a subsidiary of the International Telephone and

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